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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE AMENDMENTS
TO XO ARIZONA, INC. A.C.C. TARIFF
NO.1 WHICH INCREASE CERTAIN
INTRASTATE OPERATION SERVICES

Docket No. T-03601A-01-0902

NOTICE OF FILING

Notice is given that XO Arizona, Inc.'s Letter Response to Staff's Data
Requests is attached hereto and has been filed this same date.

Respectfully submitted this 18th day of June 2002.

AT&T COMMUNICATIONS
OF THE MOUNTAIN STATES, INC.,
AND TCG PHOENIX

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Arizona Corporation Commission

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June 17, 2002

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Marta Kalleberg
Arizona Corporation Commission
1200 West Washington Street
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RE: Docket No. T-03601A-01-0902; Amendments to XO Arizona, Inc. A.C.C. Tariff No. 1
Which Increases Certain Intrastate Operator Services Rates

Dear Marta:

This letter responds to your May 2002 request for additional information on the revenue impact of the operator services rate increase sought by XO Arizona, Inc. in its November 14, 2001 filing. As I'd mentioned in my February 2, 2002 letter to you, the revenue impact of the proposed rate increases will be diminutive. XO Arizona business customers do not generally use operator services. Typically, the 0+ calls made from businesses served by XO, are completed with calling cards and the revenue from those calls is collected by the calling card company. The following table summarizes XO operator service calls in 2001, and projects use in 2002 with a 10% increase in demand per quarter:

<u>OPERATOR SERVICES TRANSACTION VOLUMES</u>	
Calendar Year 2001 Actual Local and Toll Operator Assisted Service Transactions	3,765
4 th Quarter 2001 Actual Local and Toll Operator Assisted Service Transactions	1,523
Estimated 2002 Annual OPS Transaction Volume [assume baseline 4 th Qtr 2001 local/toll transaction volume increases 10% per quarter during 2002]	
	7,774

Anticipating that there will be roughly 7,800 operator services calls in 2002, we can multiply the proposed rate increase by the total number of calls. The chart below shows the old

Ms. Marta Kalleberg

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rate, the proposed price increase, and the new proposed maximum rate for each service.

OPERATOR SERVICES RATES

	Act'l Rate Prior to 11/14/01	Act'l Price Proposed 11/14/01	New Max Rate Proposed 11/14/01
3 rd Number Billed – Live & Auto	\$0.50	\$1.30	\$1.50
Person to Person – Live & Auto	\$3.50	\$4.50	\$4.75
Station to Station – Live & Auto	\$1.30	\$2.30	\$2.50
Busy Line Interrupt	\$3.00	\$6.00	\$6.00

These rate increases vary by product from \$1.00 (3rd number billing) to \$3.00 (busy line interrupt). The average of the two, \$2.00, is a generous estimate for the rate impact multiplier because the number of "busy line interrupts" is typically much smaller than station to station, person to person, or 3rd party billed calls. This rate increase per call, multiplied by the number of calls (roughly 7,800), equals \$15,600. This almost certainly overstates the revenue impact both because busy line interrupts will not comprise half of all operator services calls, and because the total number of calls includes both local and intrastate calls. This proposed tariff amendment would impact only the local exchange operator service calls. (XO Arizona does not have access, from its supplier, to data that divides operator services into those for local exchange numbers and those for intrastate toll numbers.)

In sum, the annual revenue impact of this tariff change request should not exceed \$15,000, and will likely be much lower.

Very truly yours,



Joan S. Burke

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